

PROCEEDINGS BEFORE ALLAN L. McVEY
INSURANCE COMMISSIONER
OF THE STATE OF WEST VIRGINIA

IN RE: DELTA DENTAL OF WEST VIRGINIA

Administrative Proceeding No.: 17-AP-FINCON-02009

**AGREED ORDER ADOPTING REPORT OF FINANCIAL
EXAMINATION AND DIRECTING ACTION**

COMES NOW Allan L. McVey, Insurance Commissioner of the State of West Virginia, and issues this Agreed Order which adopts the Report of Financial Examination as of December 31, 2015, of DELTA DENTAL OF WEST VIRGINIA. (hereinafter sometimes referred to as the "Company") based upon the following findings, to wit:

JURISDICTION

1. Allan L. McVey is the Insurance Commissioner of the State of West Virginia (hereinafter the "Insurance Commissioner") and is charged with the duty of administering and enforcing the provisions of Chapter 33 of the West Virginia Code of 1931, as amended.

2. The Company is a non-profit dental service corporation in the State of West Virginia authorized by the Insurance Commissioner under the provisions of Chapter 33, Article 24 of the West Virginia Code.

3. The Company was incorporated on June 15, 1962. Since November 1, 1987, the Company has been contractually affiliated with Delta Dental Pennsylvania, a Pennsylvania domiciled non-profit dental service plan company. Pursuant to various management services agreements, since November 1, 1997, the Company has had no employees and all of the Company's business operations have been administered by Delta Dental Pennsylvania. However, ultimate control of the Company lies with Delta Dental California, a non-profit corporation organized and licensed under the laws of the State of California as a specialized health care service

plan. Effective March 28, 2010, the Company moved its principal administrative office location to the Delta Dental Pennsylvania offices in Mechanicsburg, Pennsylvania. The Company maintains a registered office in Charleston, West Virginia.

FINDINGS OF FACT

1. An examination of the financial condition and operational affairs of the Company for period beginning January 1, 2010 and ending December 31, 2015, was conducted in accordance with West Virginia Code §33-2-9(c) by the Insurance Commissioner.

2. On May 4, 2017, the examiner filed a Report of Financial Examination with the Insurance Commissioner pursuant to W.Va. Code § 33-2-9(j)(2). A copy of the Report of Financial Examination is attached hereto as Exhibit A and incorporated herein as if set forth in full.

3. On or about May 18, 2017, a true and accurate copy of the Report of Financial Examination was forwarded to the Company.

4. Pursuant to W.Va. Code § 33-2-9(j)(2), the Company was notified and afforded a period of thirty (30) days after receipt of the Report of Financial Examination within which to make a submission, rebuttal, or objection concerning any matter contained in the report.

5. By letter dated May 31, 2017, received on June 2, 2017, the Company indicated that it had reviewed the Report of Financial Examination and concurred with the findings set forth therein. A copy of the Company's letter is attached hereto as Exhibit B.

CONCLUSIONS OF LAW

1. W.Va. Code § 33-2-9(j)(2) provides that no later than sixty (60) days following completion of the examination, the examiner in charge shall file with the Insurance Commissioner a verified, written Report of Financial Examination under oath and, upon receipt of the verified report, the Insurance Commissioner shall transmit the Report of Financial Examination to the Company with a notice that shall afford the Company a reasonable opportunity of not more than

thirty (30) days to make a written submission or rebuttal.

2. W.Va. Code § 33-2-9(j)(3) provides that within thirty (30) days of the end of the period allowed for the receipt of written submissions or rebuttals the Insurance Commissioner shall fully consider and review the Report of Financial Examination, together with any written submissions or rebuttals and shall enter an ORDER adopting the Report of Financial Examination as filed or with modifications or corrections, enter an ORDER rejecting the Report of Financial Examination with directions to the examiners to reopen the examination or call for an investigatory hearing.

ORDER

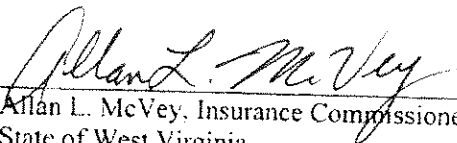
Accordingly, it is therefore AGREED by the Parties and ORDERED as follows:

1. That the Report of Financial Examination of the Company, attached hereto as Exhibit A, is ADOPTED and APPROVED by the Insurance Commissioner.
2. That a copy of this Agreed Order Adopting Report of Financial Examination and Directing Action and the Report of Financial Examination shall be mailed to the Company, via certified mail, return receipt, upon entry by the Insurance Commissioner.
3. That the Company shall file with the Insurance Commissioner, within thirty (30) days of the issuance of this Agreed Order, affidavits executed by each of its directors stating under oath that they have received a copy of the Report of Financial Examination and a copy of this Agreed Order Adopting Report of Financial Examination and Directing Action in accordance with W.Va. Code § 33-2-9(j)(4).
4. That the Company take whatever actions are required to comply with the recommendations set forth in the Report of Financial Examination, if any, and shall demonstrate compliance to the satisfaction of the Insurance Commissioner, if necessary.
5. That the Company waives any right to any notice, administrative hearing or appeal

therefrom for the actions taken by the Insurance Commissioner herein this Agreed Order Adopting Report of Financial Examination and Directing Action. The Company reserves its rights to notice, administrative hearing or appeal for any future enforcement actions taken by the Commissioner that might result from this Agreed Order, if any.

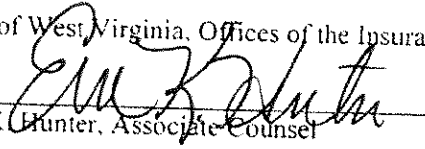
6. That this matter be dismissed from the administrative docket of the Insurance Commissioner.

Entered this 5th day of June, 2017.


Allan L. McVey, Insurance Commissioner
State of West Virginia

THE PARTIES DO SO AGREE:

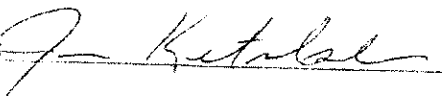
State of West Virginia, Offices of the Insurance Commissioner

By: 
Erin K. Hunter, Associate Counsel

Date: 6/2/17

DELTA DENTAL OF WEST VIRGINIA

By: Jim Ketelsleger
[Print Name]

Signed: 

Its: Director of Accounting

Date: 6/2/17

STATE OF WEST VIRGINIA
OFFICES OF THE INSURANCE COMMISSIONER
CHARLESTON, WEST VIRGINIA

EXAMINATION REPORT
OF
DELTA DENTAL OF WEST VIRGINIA
CHARLESTON, WEST VIRGINIA

NAIC # 12329

AS OF

DECEMBER 31, 2015

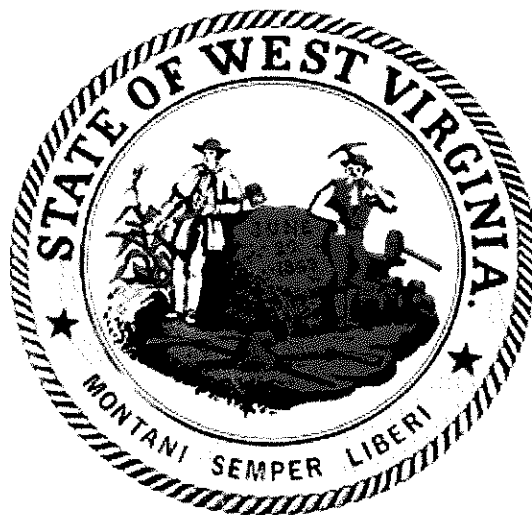


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May 4, 2017

The Honorable Allan L. McVey
Insurance Commissioner
State of West Virginia
Offices of the Insurance Commissioner
900 Pennsylvania Avenue
Charleston, West Virginia 25302

Dear Commissioner:

Pursuant to your instructions and the statutory requirements of the State of West Virginia, a comprehensive examination has been made of the affairs and financial condition of:

DELTA DENTAL OF WEST VIRGINIA

at their home office located at 5400 D Big Tyler Road, Charleston, West Virginia 25313. The following examination report is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our examination of Delta Dental of West Virginia (“DDWV”). The examination of DDWV was performed as part of the coordinated examination of the Dentegra Group, Inc. (“Dentegra”) insurance group of companies as of December 31, 2015, with the State of Delaware being the lead state. The examination was conducted concurrently with that of its Delaware domiciled affiliate companies, Delta Dental Insurance Company, Dentegra Insurance Company and Delta Dental of Delaware, Inc., along with the following affiliated companies: Delta Dental of Pennsylvania (“DDP”), Delta Dental of New York, DDWV, Alpha Dental of Arizona, Inc., Alpha Dental of Nevada, Inc., Alpha Dental of Utah, Inc., Alpha Dental of New Mexico, Inc. and Alpha Dental Programs, Inc., a Texas domiciled affiliate. To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

The examination was conducted by representatives of Examination Resources, LLC on behalf of the West Virginia Offices of the Insurance Commissioner (“Office”) under the authority delegated to them by the Commissioner. The last exam was completed for DDWV as of December 31, 2009, by the Office. This full-scope examination covers the period of January 1, 2010, through December 31, 2015, including any material transactions and/or events occurring subsequent to the examination date.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook) as adopted by the National Association of Insurance Commissioners (“NAIC”), along with specific procedures defined by Office. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of DDWV by obtaining information about DDWV, including corporate governance, identifying and assessing inherent risks within DDWV, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations.

All accounts and activities of DDWV were considered in accordance with the risk-focused examination process.

Key functional activities were identified, along with the specific risks and the impact of existing risk mitigation strategies within DDWV. The following key activities were identified by obtaining information during the planning process:

- Actuarial (Reserves and Pricing)
- Claims Risk
- Premiums and Underwriting
- Reinsurance
- Investments and Treasury

Among the procedures incorporated into this examination was a review of the annual audit workpapers prepared by Armanino LLC, DDWV's independent certified public accountants. Certain workpapers developed by Armanino LLC were relied upon by the examiners and were incorporated into the examiners' workpapers.

This report on examination is limited to the statutory financial statements of DDWV and comments on matters that involve departures from laws, regulations or rules, or which are deemed to require special explanation or description.

STATUS OF SIGNIFICANT FINDINGS FROM PRIOR EXAMS

There were no significant findings from the previous examination as of December 31, 2010.

COMPANY HISTORY

General

DDWV was incorporated on June 15, 1962, under the laws of the State of West Virginia to operate as a domestic tax-exempt non-profit dental service corporation.

DDWV is a member of the Delta Dental Plans Association which is a national association of dental service corporations. Delta Dental Plans Association members are provided various types of services and support including interplan administrative agreements, participation in national account contracts, national advertising, etc. In exchange for administrative fees DDWV may process claims of subscribers located in this state covered by dental services contracts issued by association members in other states.

Since November 1, 1987, DDWV has been contractually affiliated with DDP and DDP affiliated companies by execution, termination and replacement of multiple management services agreements between the parties. Pursuant to the various management services agreements, DDWV has had no employees and all DDWV business operations have been administered by DDP since November 1, 1987.

Since 1999, DDP has extended a guarantee to maintain DDWV's unencumbered surplus at or above the amount needed to exceed 125% of the company action level under the NAIC risk based capital calculation for insurers writing a single line of health insurance.

DDWV was contractually affiliated with DDP pursuant to a surplus note in the form of a subordinated loan agreement. The Office approved the loan agreement between the Company and DDP on April 11, 2005. Per the agreement DDWV borrowed from DDP an amount of One Million Dollars (\$1,000,000) for the purpose of increasing surplus to an amount exceeding the West Virginia statutory minimum surplus requirement of Two Million Dollars (\$2,000,000). DDWV regained authorization to provide prepaid dental services in West Virginia upon meeting the statutory minimum surplus requirement in compliance with W. Va. Code § 33-3-5b. This surplus note was subsequently repaid during 2013.

Per DDWV bylaws adopted December 19, 2005, the directors of Dentegra are the corporate members of the Company. Further pursuant to the bylaws DDWV corporate members (the Dentegra directors) elect the DDWV board of directors.

Dentegra is a Delaware domiciled taxable stock non-profit holding company. Dentegra members providing dental services operate in fifty states, the District of Columbia, Puerto Rico and Mexico. Dentegra is one of the largest providers of dental benefits in the United States. Delta Dental of California ("DDC") and DDP are the primary dental services provider members of the Dentegra insurance holding company.

DDC is a nonprofit corporation organized and licensed under the laws of the State of California as a specialized health care service plan. DDP is a Pennsylvania domiciled nonprofit dental service plan company.

Ultimate control of DDWV lies with DDC. DDC elects five (5) of the seven (7) members of the Dentegra board of directors. DDP elects two (2) of the seven (7) members of the Dentegra board of directors.

Effective March 28, 2010, DDWV moved its principal administrative office location to DDP offices located at One Delta Drive, Mechanicsburg, Pennsylvania. Prior notice was forwarded to the Office December 9, 2009. DDWV maintains a registered office in Charleston, West Virginia.

DDWV's Bylaws were amended on December 14, 2010, February 1, 2011, December 10, 2012, March 11, 2014, and subsequent to the examination period on April 5, 2016.

CORPORATE RECORDS

The recorded minutes of the meetings held by the Boards of Directors were reviewed for DDWV for the period under examination. The minutes adequately documented approved company transactions, in accordance with the Board of Directors powers and authority, including the election or appointment of directors and officers, approval of the investment policy, investment transactions, and other corporate actions. The minutes also documented discussions of cash position, reserves and other key components of financial statements. The primary location of the corporate records is in DDP's offices in Mechanicsburg, Pennsylvania.

MANAGEMENT AND CONTROL

DDWV's Articles of Incorporation provide that management of DDWV shall be vested in a Board of Directors consisting of not fewer than six nor more than ten directors. The Directors are elected by the members at their annual meeting.

DDWV indicated the following individuals were serving as Directors at December 31, 2015:

Directors

<u>Director</u>	<u>Professional Background</u>	<u>Member Since</u>
Dr. Gary M. Bowen, DDS	Dental profession	2014
Birdie A. Gandy, CPA	Retired CPA	2014
Nancy L. Keatley	Retired educator	2011
Charles M. Matthews	Union executive	2012

Michael D. Smith, RHU, REBC	Insurance executive	2014
Ronald N. Walters	Insurance executive	2014
Dr. James S. Wilson, DDS	Dental profession	2005

Pursuant to DDWV's Articles of Incorporation, the Board of Directors shall annually elect a Chair of the Board, a Vice Chair, a Secretary, a Treasurer, and a President. The President shall be the Chief Executive Officer, and officers need not be a member of the Board of Directors.

The following officers were appointed by the Board of Directors and were serving as of December 31, 2015:

Officers

<u>Name</u>	<u>Title</u>
Dr. James S. Wilson, DDS	Chairman
Ronald N. Walters	Vice Chairman
Anthony S. Barth	President
Michael J. Castro	Chief Financial Officer
Michael G. Hankinson, Esq.	Chief Legal Officer
Charles M. Matthews	Secretary and Treasurer

DDWV's Bylaws identify the Executive Committee as a standing committee of DDWV. The Executive Committee shall consist of not less than two nor more than three members of the Board of Directors, one of whom shall be the Chair of the Board. The Bylaws allow the Board of Directors to establish other standing committees as the Board shall designate. The Audit Committee and Finance Committee are committees of DDP. These committees handle the activities for each of the affiliated including DDWV. The following committees were appointed and were serving as of December 31, 2015:

Executive Committee
 James S. Wilson, DDS, Chair
 Ronald N. Walters
 Charles M. Matthews

Investment Committee
 Michael J. Castro, Chairman
 Anthony S. Barth
 Alicia F. Weber
 Jeanne M. Foster
 Kevin L. Jackson

Audit Committee

James A. Smeltzer, Chairman
Eugene F. Carter
Glen F. Bergert
Joseph P. Beck, Jr.

Finance Committee

Joseph P. Beck, Jr., Chairman
Eugene F. Carter
Glen F. Bergert
James A. Smeltzer

Conflict of Interest Procedures

DDWV maintains a formal written Code of Conduct, which sets out the standards of ethical conduct that apply to all employees, officers and directors. Incorporated into the Code of Conduct is a Conflict of Interest Policy. On an annual basis, all officers and directors of the Company are required to complete a Conflict of Interest Disclosure Statement. A review of the Company's annual Conflict of Interest Disclosure Statement for officers, directors and key employees was performed, with no concerns or issues identified. Finally, review of the Company's Board meeting minutes over the examination period reflected accordance with the Company's bylaws.

AFFILIATED COMPANIES

DDWV is a member of an insurance holding company system. Control of DDWV is maintained by its members and is managed by a Board of Directors and executive officers. The "ultimate controlling person" in the holding company system is DDC (see organizational chart at the end of this report).

The following material agreement was in-force between DDWV and its affiliates:

Dental Administration Agreement

Effective January 1, 2006, as amended January 1, 2009, DDIC entered into a Dental Administration Agreement with DDWV and DDP, whereby DDWV provides administrative services to DDIC in West Virginia and DDP provides management services to DDWV and DDIC in order to assist the growth of prepaid dental programs in West Virginia. Administrative fees incurred under the agreement was \$1,992,648 during 2015.

FIDELITY BONDS AND OTHER INSURANCE

DDWV is a named insured on a fidelity bond with a \$5,000,000 single loss limit, a \$10,000,000 aggregate loss limit, and a \$75,000 deductible. The bond is in the name of DDP and there are seven named insured scheduled under this bond. This insurance adequately covers the suggested minimum amount of coverage for DDWV as recommended by the NAIC.

TERRITORY AND PLAN OF OPERATION

At December 31, 2015, DDWV was authorized to transact business only in the State of West Virginia. DDWV provides dental services to West Virginia residents and groups. Dental services are provided through DDWV's contracted network of West Virginia licensed dentists. With DDP acting as administrator, DDWV markets its products with licensed appointed agents. Additionally, with DDP acting as administrator, DDWV is responsible for marketing of ASC on behalf of DDIC in West Virginia.

RESERVES AND LOSS EXPERIENCE

David S. Rubadue, FSA, MAAA, CLU, with the firm CBIZ, Inc., the actuary appointed by DDWV to provide a Statement of Actuarial Opinion as of December 31, 2015, provided an unqualified opinion that the reserves met the requirements of the insurance laws of West Virginia, were computed in accordance with accepted actuarial standards and principles, and made reasonable provision for all contract obligations of DDWV. Based on reserve calculations of the independent actuary retained by Office for examination purposes, it was determined that the reserves and related liabilities at December 31, 2015 appear to make reasonable provisions for DDWV's obligations.

REINSURANCE

DDWV has a reinsurance agreement with Delta Reinsurance Corporation ("DRC") whereby DDWV cedes 90% of premiums earned and claims incurred to DRC. The reinsurance agreement reviewed was found to meet West Virginia Code and NAIC Handbook guidelines with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information requirements. DDWV reported amounts due to DRC as of December 31, 2015 and 2014 of \$1,470,446 and \$1,284,498 respectively.

ACCOUNTS AND RECORDS

DDWV was audited annually in accordance with NAIC guidelines and West Virginia Statutes. DDWV was audited by the accounting firm of Armanino LLC for all years under examination, and received an unqualified audit opinion for all years under examination.

DDWV maintained its principal operational offices in Mechanicsburg, Pennsylvania, where portions of this examination were conducted.

STATUTORY DEPOSITS

The Company is licensed and operates only in the State of West Virginia. DDWV is organized as a West Virginia domestic tax-exempt non-profit dental service corporation pursuant to the provisions of Article 24 Chapter 33 of the West Virginia Code. Pursuant to that statute DDWV is not subject to statutory deposit requirements of Section 6 Article 3 Chapter 33 of the West Virginia Code. Consistent with Article 24 Chapter 33 of the West Virginia Code DDWV does not report statutory deposits in its annual financial statements.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Office and present the financial condition of the company for the period ending December 31, 2015. There were no adjustments to the amounts reported in the annual statement.

**Delta Dental of West Virginia
Assets**

	<u>As of December 31, 2015</u>			<u>As of December 31, 2014</u>
	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>	<u>Per Company</u>
Bonds	\$ 4,578,727	\$ 0	\$ 4,578,727	\$ 3,482,888
Stocks:				
Common stocks	3,530,729		3,530,729	2,965,479
Cash, cash equivalents and short-term investments	<u>315,481</u>		<u>315,481</u>	<u>782,811</u>
Subtotals, cash and invested assets	\$ 8,424,936	\$ 0	\$ 8,424,936	\$ 7,231,178
Investment income due and accrued	48,696		48,696	38,365
Premiums and considerations:				
Uncollected premiums and agents' balances in the course of collection	295,107	1,547	293,560	394,198
Reinsurance:				
Amounts recoverable from reinsurers	1,281,379		1,281,379	1,140,106
Other amounts receivable under reinsurance contracts	726,590		726,590	952,196
Receivables from parent, subsidiaries and affiliates	17,231		17,231	5,402
Health care and other amounts receivable				1,977
Aggregate write-ins for other than invested assets	<u>432,295</u>	<u>7,131</u>	<u>425,164</u>	<u>410,410</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	\$ 11,226,234	\$ 8,678	\$ 11,217,556	\$ 10,173,832
From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
Totals	<u>\$ 11,226,234</u>	<u>\$ 8,678</u>	<u>\$ 11,217,556</u>	<u>\$ 10,173,832</u>

**Delta Dental of West Virginia
Liabilities, Surplus and Other Funds**

	As of December 31, 2015	As of December 31, 2014 Per Company
Claims unpaid	\$ 99,600	\$ 103,300
Unpaid claims adjustment expenses	16,000	24,399
Premiums received in advance	60,459	27,249
General expenses due or accrued	415,404	424,473
Ceded reinsurance premiums payable	1,470,446	1,284,498
Amounts withheld or retained for the account of others	12,898	27,190
Remittances and items not allocated	229	
Amounts due to parent, subsidiaries and affiliates	42,476	78,455
Funds held under reinsurance treaties	2,217,300	2,247,153
Aggregate write-ins for other liabilities	111,574	124,456
<i>Total Liabilities</i>	\$ 4,446,386	\$ 4,341,173
Unassigned funds (surplus)	6,771,170	5,832,659
<i>Total Capital and Surplus</i>	\$ 6,771,170	\$ 5,832,659
<i>Total Liabilities, Capital and Surplus</i>	\$ 11,217,556	\$ 10,173,832

Delta Dental of West Virginia Summary of Operations

	<u>For the Year Ending December 31, 2015</u>			<u>For the Year Ending December 31, 2014</u>
	<u>Per Company</u>	<u>Examination Changes</u>	<u>Per Examination</u>	<u>Per Company</u>
Member Months	1,114,423		1,114,423	1,063,426
Net premium income	\$ 7,630,529	\$ 0	\$ 7,630,529	\$ 7,404,884
Change in unearned premium reserves and reserve for rate credits	(33,210)		(33,210)	(18,891)
Total revenues	\$ 7,597,319	\$ 0	\$ 7,597,319	\$ 7,385,993
Hospital and Medical:				
Hospital/medical benefits	\$ 16,916,992	\$ 0	\$ 16,916,992	\$ 15,992,242
Subtotal	\$ 16,916,992	\$ 0	\$ 16,916,992	\$ 15,992,242
Less:				
Net reinsurance recoveries	14,864,529		14,864,529	14,244,430
TOTAL Hospital and Medical	\$ 2,052,463	\$ 0	\$ 2,052,463	\$ 1,747,812
Claims adjustment expenses, including \$101,933 cost containment expenses	1,001,306		1,001,306	785,484
General administrative expenses	4,275,776		4,275,776	4,631,093
TOTAL Underwriting Deductions	\$ 7,329,545	\$ 0	\$ 7,329,545	\$ 7,164,389
Net underwriting gain or (loss)	\$ 267,774	\$ 0	\$ 267,774	\$ 221,604
Net investment income earned	107,451		107,451	667,163
Net investment gains (losses)	\$ 107,451	\$ 0	\$ 107,451	\$ 667,163
Aggregate write-ins for other income or expenses	(1,041)		(1,041)	(367)
Net income, after capital gains tax and before all other federal income taxes	\$ 374,184	\$ 0	\$ 374,184	\$ 888,400
Federal and foreign income taxes incurred	0		0	0
<i>Net income (loss)</i>	<u>\$ 374,184</u>	<u>\$ 0</u>	<u>\$ 374,184</u>	<u>\$ 888,400</u>

Delta Dental of West Virginia Capital and Surplus Account

	For the Year Ending December 31, 2015			For the Year Ending December 31, 2014
	Per Company	Examination Changes	Per Examination	Per Company
Capital and surplus prior reporting year	\$ 5,832,659	\$ 0	\$ 5,832,659	\$ 4,922,407
Net income or (loss)	374,184	0	374,184	888,400
Change in net unrealized capital gains (losses)	552,414		552,414	37,528
Change in nonadmitted assets	11,913		11,913	(15,676)
Net change in capital and surplus	\$ 938,511	\$ 0	\$ 938,511	\$ 910,252
Capital and surplus end of reporting year	\$ 6,771,170	\$ 0	\$ 6,771,170	\$ 5,832,659

**Delta Dental of West Virginia
Comparative Analysis of Changes in Surplus**

The following is a reconciliation of surplus between the amount reported by DDWV and as determined by examination:

	Per Annual Statement	Per Examination	Change in Surplus
Unassigned funds (surplus) at December 31, 2015 per Company	\$6,771,170		
Assets:			
Total Assets	\$11,217,556	\$11,217,556	\$0
Liabilities:			
Total Liabilities	\$4,446,386	\$4,446,386	<u>\$0</u>
Unassigned funds (surplus) at December 31, 2015, per Examination		\$6,771,170	<u>\$0</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

Assets

There were no adjustments to assets during this examination.

Liabilities, Capital and Surplus

Claims Unpaid

\$99,600

An actuary, appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet, as of December 31, 2015, include provisions for all actuarial reserves and related statement items which should be established, and meet the requirements of the insurance law and regulation of the State of West Virginia and are at least as great as the minimum aggregate amounts required by the State.

The lead state of the coordinated examination contracted INS Consultants, Inc. ("INS"), to conduct an independent review of the Company's claims unpaid reserve and unpaid claims adjustment expenses reserve amounts reported by the Company as of December 31, 2015. The INS Actuary's analysis was performed using a risk-focused approach according to the guidelines contained in the NAIC Handbook. The INS Actuary determined that the Company's aforementioned reserve amounts were reasonably stated, as reported by the Company as of December 31, 2015.

Unassigned Funds (Surplus)

\$6,771,170

The amount reported by DDWV of \$6,771,170 has been accepted for the purposes of this examination.

SUMMARY OF FINDINGS, COMMENTS AND RECOMMENDATIONS

In addition to the Comments on Financial Statements noted in the previous section of this report, the following items were noted during the examination:

Compliance with Previous Directives

On January 24, 2012, DDWV provided a response to the previous Report of Examination, as of December 31, 2009, stating that DDWV was in agreement with the recommendations and that DDWV will comply with the recommendations in the future.

Current Examination Comments and Recommendations

DDWV's Bylaws were amended on December 14, 2010, February 1, 2011, December 10, 2012, March 11, 2014, and subsequent to the examination period on April 5, 2016. In order for the Department to have the most accurate Bylaws on file, it is recommended the Company file their amended Bylaws with the Department each time an amendment is made. There are no other items of interest or corrective actions to be taken by DDWV regarding findings in the examination as of December 31, 2015.

SUBSEQUENT EVENTS

On April 5, 2016, DDWV amended its Bylaws. There were several changes to DDWV's Bylaws in this amendment, most notable are: changing the composition of the Board of Directors from not less than six nor more than ten members to not less than three nor more than six members; changing the term of a director elected to fill an expired term of a predecessor from three years to one year; and making the President an ex officio member of the Board of Directors and all standing committees without vote.

CONTINGENT LIABILITIES

No significant contingent liabilities were noted during the examination that would have a material impact on the examination report.

OTHER SIGNIFICANT EVENTS

No other significant events were noted during the examination that would have a material impact on the examination report.

CONCLUSION

As a result of this examination, the financial condition of **Delta Dental of West Virginia** as of December 31, 2013 is summarized as follows:

Admitted assets	<u>\$11,217,556</u>
Liabilities	\$ 4,446,386
Capital and surplus	<u>6,771,170</u>
Total liabilities, capital and surplus	<u>\$11,217,556</u>

Per examination findings, DDWV met the minimum surplus requirements pursuant to W. Va. Code § 33-3-5b as of December 31, 2015.

In addition to the undersigned, other representatives of Examination Resources, LLC, all appointed to represent the State of West Virginia, participated in this examination.

Respectfully submitted,



Scott R. Kalna, CFE, MCM
Examiner-in-Charge
Examination Resources, LLC
Representing the State of West Virginia,
Offices of the Insurance Commissioner

APPENDIX

ORGANIZATIONAL CHART as of DECEMBER 31, 2013

